

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2281 - SB 2838

March 6, 2020

SUMMARY OF BILL: Requires the Division of TennCare (Division) in developing or implementing any payment reform initiative involving the use of episodes of care with respect to medical assistance provided by the Division, a private health insurance provider shall exclude from the calculation of costs for any episode of care any charges related to pain relief that decrease the use of opioids.

Allows the private health insurance provider to demonstrate that the pain relief services provided to the patient had the effect of reducing opioid use by the patient relative to an alternative pain relief service routinely used by other healthcare providers in the episode of care.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

Exceeds \$2,133,800/FY20-21 and Subsequent Years

Increase Federal Expenditures –

Exceeds \$4,119,600/FY20-21 and Subsequent Years

Assumptions:

- Pursuant to Tenn. Code Ann. § 71-5-151(d)(1), a healthcare provider is not required to pay the portion of their episodes risk sharing payment that is attributable to the increased cost of pain relief services if certain conditions are met.
- The proposed legislation extends this to exclude the costs of any charges related to pain relief that decrease the use of opioids from all episodes for a private health insurance provider.
- The Division of TennCare is public health insurance. If the intent of the legislation is to exclude TennCare, the fiscal impact is not significant.
- If the intent of the proposed legislation is to include TennCare, the proposed legislation will impact all episodes of care.
- There are 10 orthopedic episodes that would not be able to function as intended as a result of this bill. The 10 orthopedic episodes are total joint replacement (hip and knee), back and neck pain, spinal fusion, spinal decompression (without spinal fusion), femur/pelvic fracture, knee arthroscopy, ankle non-operative injuries, wrist non-operative injuries, shoulder non-operative injuries, and knee non-operative injuries.

- In calendar year 2018, the total expenditures for the 10 orthopedic episodes of care were \$62,534,373. The state has experienced approximately 10 percent in savings on the 27 episodes of care that have been in place the longest.
- The increase in expenditures due to the unrealized savings is estimated to exceed \$6,253,437 ($\$62,534,373 \times 10.0\%$).
- Medicaid expenditures receive matching funds at a rate of 65.878 percent federal funds to 34.122 percent state funds. Of this amount \$2,133,798 ($\$6,253,437 \times 34.122\%$) will be in state funds and \$4,119,639 ($\$6,253,437 \times 65.878\%$) will be in federal funds.
- This analysis is based on solely orthopedic episodes because they are the most likely episodes to include pain relief services. Any increase in expenditures is estimated to exceed \$6,253,437 due to the assumption the proposed legislation will impact all episodes of care.

IMPACT TO COMMERCE:

Increase Business Revenue –

Exceeds \$6,253,400/FY20-21 and Subsequent Years

Increase Business Expenditures –

Less than \$6,253,400/FY20-21 and Subsequent Years

Assumptions:

- Healthcare providers that provide orthopedic services will experience an increase in business revenue estimated to exceed \$6,253,437.
- For companies to retain solvency, any increased expenditures will be less than the amount of increased revenues collected. Therefore, the increase in business expenditures is estimated to be less than \$6,253,437.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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